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THE TOBACCO SITUATION

Summary

Price outlook: Tobacco prices during the 1937-38 marketing season are expected to average a little lower than prices paid to growers for the 1936 crop, largely because of probable declines in those types for which unusually high prices were paid last year. The market situation for most types and classes of tobacco is expected to remain fairly satisfactory to growers.

To date this season, the various grades of flue-cured tobacco have sold at prices similar to those of last year, and the season average price will probably be close to the 1936 average of 22 cents per pound. In the case of Burley and the dark-air-cured types, prices are likely to be somewhat lower than the relatively high prices received for the 1936 crop. For Maryland tobacco, prices similar to those currently being paid for the 1936 crop will probably continue. For the various cigar types, prices about the same as or a little higher than last year are expected. There is more uncertainty in the fire-cured outlook, with maintenance of last year's prices depending on demand conditions which cannot now be adequately evaluated.

Supplies: Total 1937 production of tobacco was indicated by the September 1 crop report as about 1.45 billion pounds, over one-fourth larger than last year's production. With only three exceptions, namely, flue-cured Type 14 in Georgia, Type 32 in Maryland, and cigar Type 41 in Pennsylvania, the indicated production of every type is above the 1936 production.

Stocks, on the other hand, are expected to be materially lower than at the beginning of the last marketing year, with flue-cured and Maryland the only important exceptions. As a result, total supplies are in most cases not much larger than a year ago, and for a few types they are smaller.

Domestic consumption: Total disappearance of tobacco during 1936-37 was probably about the same as in 1935-36, with a smaller volume of exports being offset by increased domestic consumption. The upward trends in cigarette and cigar consumption are expected to continue during the next 12 months, though the increases are likely to become less marked. Consequently the outlook is favorable for an increase in the domestic utilization of the cigarette types (flue-cured, Burley, and Maryland) and cigar types of tobacco. No consistent trends of any importance are noticeable in the consumption of smoking and chewing tobacco, or snuff; and the domestic demand for fire-cured and dark air-cured tobacco is likely to remain approximately unchanged.

Exports: With the exception of Burley, exports of all important types from the 1936 crop have been below the previous year. Because exports of flue-cured tobacco are ordinarily much larger than exports of all other types combined, the fact that foreign demand prospects are good for the current flue-cured crop will probably mean a significant increase in total exports despite the unfavorable outlook for fire-cured tobacco and the lack of any significant improvement in the prospects for other export types.

FLUE-CURED, TYPES 11-14

Although the increase in total supplies of flue-cured tobacco this year appears to be a little larger than is necessary to keep pace with increasing consumption, prices so far this season have been holding up well compared with prices in 1936.

According to September 1 estimates, total production this year will be about 810 million pounds, almost 43 million pounds above July 1 indications. This increase is due largely to improved production prospects for Type 11 in North Carolina and Virginia, and to an upward revision in the estimate for Type 14 in Georgia. Smaller increases in production are indicated for Types 12 and 13 compared with July estimates.

Reported stocks on July 1 of this year of 883 million pounds, on a farm-sales-weight basis, were somewhat larger than expected earlier in the year and were 12 million pounds above July 1 stocks in 1936. Disappearance from the 1936 supply as indicated by this year's carry-over is 671 million pounds, more than 21 million pounds less than 1935-36 disappearance. Domestic consumption has not decreased, however, for the reduction in total disappearance has been caused by a smaller volume of exports.

The increase of 127 million pounds in indicated production, when combined with the 12 million-pound increase in carry-over, gives an increase in total supply this year of 139 million pounds over the 1936 supply.

Consumption of cigarettes, the most important domestic outlet for flue-cured tobacco, is expected to continue to increase, although there is some evidence of a slackening off in the rate of increase. Tax-paid withdrawals of cigarettes in the last half of 1936 were 16 percent larger than in the last half of 1935; but January-August withdrawals in 1937 were less than 8 percent above the same period in 1936. There has been a small decline in the production of smoking tobacco in the last 12 months.

In spite of uncertainty as to the Oriental situation, foreign demand prospects for flue-cured tobacco continue to be distinctly favorable because of expected increases in European purchases. Consumption of flue-cured tobacco, chiefly in the form of cigarettes, is increasing in all but a few European countries; and present stocks are low especially in the United Kingdom which is the most important foreign market for American flue-cured tobacco. A very substantial increase in European purchases over imports from the 1936 crop will be necessary if stocks are to be restored to a normal ratio with consumption. Because of larger production of flue-cured tobacco in Oriental countries, a decline in exports to the Orient has been expected. However, some of the large tobacco supply houses and cigarette factories in Shanghai, including their stocks of flue-cured tobacco, have recently been destroyed; and there is not yet sufficient information concerning the effects of recent disturbances to estimate the probable demand in the Orient for United States flue-cured.

With the larger supplies this year expected to be offset to a large extent by increased demand, both domestic and foreign, prices during the remainder of the marketing season will probably continue similar to those paid for the 1936 crop; and the season average price will probably be close to the 1936 average of 22 cents per pound. Eighty-eight million pounds of Type 14 tobacco were sold on the Georgia and Florida markets during the 1937 season at an average price of 19.7 cents per pound compared with 21.0 cents in 1936. Prices on many grades were higher than last year. Some grades were lower, however, and there was apparently a larger proportion of the lower-priced grades. The average price during August on Type 13 markets in the Carolinas was 23.9 cents compared with 23.2 cents in August 1936.

Flue-cured tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Year	Production	Stocks, July 1	Total supply	Disappearance, year beginning July	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Av.1931-35	628.9	770.6	1,399.5	613.6	16.5
1935	811.2	752.6	1,563.8	692.5	20.0
1936	2/ 682.8	871.3	2/ 1,554.1	2/ 670.9	2/ 22.0
1937	3/ 809.7	2/ 883.2	2/ 1,692.9		

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Indicated September 1.

BURLEY, TYPE 31

The September 1 estimate of 1937 Burley production is 352 million pounds, 8 million pounds lower than the July 1 estimate. On the other hand, reported stocks on July 1 indicate that the carry-over on October 1 may be a little larger than previously expected. The net result of these two revisions is that the total supply of 921 million pounds estimated in the July issue of "The Tobacco Situation" remains practically unchanged. This is only a 2 percent increase over last year's relatively low supply.

Because of the upward trend in cigarette consumption, there has been an increase in domestic utilization of Burley in each of the past 5 years, and further increases seem probable.

Export demand for Burley is very small relative to domestic demand. Prospects are favorable, however, for a continuation of the customary export share from the 1937 crop.

With supplies still relatively low and demand apparently increasing, prices for this year's crop are expected to be satisfactory to growers; but they are not likely to be as high as in 1936.

Burley tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Year	Production	Stocks, Oct. 1	Total supply	Disappearance, year beginning Oct.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Av. 1931-35	315.8	700.7	1,016.5	281.5	13.5
1935	220.9	769.9	990.8	309.1	19.1
1936	2/218.3	681.7	2/ 900.0	3/ 331.8	2/ 35.8
1937	4/352.4	3/ 568.2	3/ 920.6		

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Estimated.
4/ Indicated September 1.

MARYLAND, TYPE 32

The revised production estimate for Maryland tobacco is 25 million pounds, 16 percent less than 1936 production. On the other hand, stocks next January 1, the beginning of the marketing season for this year's production, may be somewhat larger than the 38.5 million pounds carry-over on last January 1. The total supply, therefore, is not likely to be much smaller than the relatively large 1936 supply of 68 million pounds.

Since 1926, there has been a downward trend in exports of Maryland tobacco and an upward trend in domestic consumption. Both of these trends seem likely to continue in the near future. A further increase is expected in the domestic demand for Maryland tobacco in cigarettes; but no substantial improvement in export prospects is indicated.

Although it is difficult to evaluate the various demand and supply factors this far in advance, the probabilities are that prices for the 1937 production will be about the same as the prices currently being paid for the 1936 crop. The preliminary estimate of the average price for the 1936 crop is about 25 cents per pound.

Maryland tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Year	Production	Stocks, Jan. 1 of following year	Total supply	Disappearance, following calendar year	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Av. 1931-35	26.8	33.5	60.3	23.4	17.4
1935	28.7	38.6	67.3	28.8	20.0
1936	2/ 29.6	38.5	2/ 68.1	3/ 26.0	3/ 25.0
1937	4/ 24.8	3/ 42.1	3/ 66.9		

1/ Farm-sales-weight equivalent.
2/ Preliminary.
3/ Estimated.
4/ Indicated September 1.

FIRE-CURED, TYPES 21-24

On the basis of September 1 conditions, total production of fire-cured tobacco is indicated as 113 million pounds compared with a 1936 crop of 100 million pounds. The increased production this year, however, is expected to be more than offset by a smaller carry-over, and the total supply is likely to be the lowest on record.

A reduced supply appears desirable, however, in the light of prospective consumption and exports. No consistent trend is apparent in the consumption of snuff, the chief source of domestic demand for fire-cured tobacco. Tax-paid withdrawals of snuff increased in 1936, but have been declining so far this year.

Foreign demand prospects for fire-cured tobacco are less satisfactory than for other export types. Although exports from the 1936 crop have been running about 6 percent under the previous year, increased shipments in recent months have resulted in the reestablishment of adequate stocks in the United Kingdom, the Netherlands, and Belgium. Consumption of smoking mixtures is decreasing in many countries in line with an increasing shift to cigarettes, so that the long-time export outlook for fire-cured tobacco becomes correspondingly less favorable.

The maintenance of last year's fairly good prices for the 1937 production will depend on whether or not supplies will have been reduced sufficiently to counteract the influence of a probable fall in demand for customary uses, and also on the extent to which new or substitute outlets can be developed.

Fire-cured tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Type and year	Production	Stocks, Oct. 1	Total supply	Disappearance, year beginning Oct.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Total, Types 21-24					
Average 1931-35	138.0	202.7	340.7	130.9	8.1
1935	117.4	223.9	341.3	133.3	9.2
1936	2/ 99.7	208.0	2/ 307.7	3/ 133.9	2/11.8
1937	4/ 113.3	3/ 173.8	3/ 287.1		
Virginia, Type 21					
Average 1931-35	21.1	33.6	54.7	21.6	8.4
1935	20.5	30.8	51.3	20.0	10.2
1936	2/ 18.1	31.3	2/ 49.4	3/ 23.3	2/13.2
1937	4/ 19.3	3/ 26.1	3/ 45.4		
Ky. and Tenn., Type 22					
Average 1931-35	81.7	130.8	212.5	76.1	8.8
1935	68.1	148.6	216.7	82.0	9.7
1936	2/ 56.4	134.7	2/ 191.1	3/ 77.5	2/12.6
1937	4/ 63.4	3/ 113.6	3/ 177.0		
Ky. and Tenn., Type 23					
Average 1931-35	31.0	34.0	65.0	29.0	6.3
1935	25.8	40.5	66.3	27.8	7.4
1936	2/ 23.2	38.5	2/ 61.7	3/ 29.6	2/9.1
1937	4/ 27.6	3/ 32.1	3/ 59.7		
Henderson, Type 24					
Average 1931-35	4.2	4.3	8.5	4.2	5.7
1935	3.0	4.0	7.8	3.5	6.4
1936	2/ 2.0	3.5	2/ 5.5	3/ 3.5	2/9.5
1937	4/ 3.0	3/ 2.0	3/ 5.0		

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Estimated.
4/ Indicated September 1.

DARK AIR-CURED, TYPES 35-37

The indicated production of dark air-cured tobacco is 41.5 million pounds, about the same as the 1931-35 average, but over two-thirds larger than a year ago. The increased production, however, will be added to a carryover which is expected to be considerably smaller than the 1936 carryover; and the total supply this year will not be much above last year's relatively small supply.

Neither domestic nor foreign demand for dark air-cured tobacco is expected to change materially in the coming year.

Since both demand and total supply are likely to be about the same as in 1936, prices of dark air-cured tobacco will probably be fairly satisfactory to growers; but with production constituting a much larger proportion of the total supply this year, a repetition of last year's unusually high prices is not expected.

Dark air-cured tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Type and year	Production	Stocks, Oct. 1	Total supply	Disappearance, year beginning Oct.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Total, Types 35-37					
Average 1931-35	41.0	74.4	115.4	42.1	6.1
1935	31.0	69.7	100.7	38.5	8.0
1936	2/ 24.6	62.2	2/ 86.8	3/ 39.7	2/ 15.4
1937	4/ 41.5	3/ 47.1	3/ 88.6		
One Sucker, Type 35					
Average 1931-35	17.6	34.6	52.2	18.9	6.0
1935	13.0	32.7	45.7	16.9	8.2
1936	2/ 10.8	28.8	2/ 39.6	3/ 15.4	2/ 16.3
1937	4/ 20.1	3/ 24.2	3/ 44.3		
Green River, Type 36					
Average 1931-35	21.0	36.2	57.2	20.5	6.0
1935	15.2	34.3	49.5	18.8	7.3
1936	2/ 11.2	30.7	2/ 41.9	3/ 21.5	2/ 14.5
1937	4/ 18.4	3/ 20.4	3/ 38.8		
Va. sun-cured, Type 37					
Average 1931-35	2.4	3.6	6.0	2.7	8.2
1935	2.8	2.7	5.5	2.8	11.0
1936	2/ 2.6	2.7	2/ 5.3	3/ 2.8	2/ 15.1
1937	4/ 3.0	3/ 2.5	3/ 5.5		

1/ Farm-sales-weight equivalent.
2/ Preliminary.
3/ Estimated.
4/ Indicated September 1.

CIGAR TOBACCO, TYPES 41-62

Total 1937 production of cigar tobacco is indicated as 107 million pounds on the basis of September 1 conditions, compared with 98 million produced in 1936. Indicated production is larger than last year's crop for every type except Pennsylvania Seedleaf (Type 41).

Production of the wrapper types is placed at 10.6 million pounds, 1 million pounds above the 1936 crop, and a little larger than probable disappearance in 1936-37. Indicated production in the binder class of 50 million pounds is one-fifth larger than a year ago, but only 82 percent of estimated 1936-37 consumption. Because of the reduction in Type 41, the total for the filler class of 47 million pounds is slightly less than in 1936, and a little below probable disappearance.

Cigar consumption has been increasing for several years, and some further increase seems probable. Tax-paid withdrawals of large cigars in the last half of 1936 were 8 percent larger than in the last half of 1935; and during the first 8 months of 1937 they have been 6 percent above the corresponding period last year. Production of scrap chewing tobacco also has shown a small increase during the past year.

With supplies of most types still further reduced, and consumption expected to continue its upward trend, the general price outlook for cigar tobacco remains definitely favorable.

Cigar tobacco: Production, stocks, total supply, disappearance, and season average price, average 1931-35, annual 1935-37 1/

Class and year	Production	Stocks, Oct. 1 2/	Total supply	Disappearance, year beginning Oct. 3/	Average price per pound
	Mil. lbs.	Mil.lbs.	Mil.lbs.	Mil.lbs.	Cents
Total, Types 41-62					
Average 1931-35	115.5	390.8	506.3	120.5	12.6
1935	87.9	362.8	450.7	118.4	17.0
1936	4/ 98.1	332.3	4/ 430.4	5/ 118.5	4/ 19.6
1937	6/ 107.2	5/ 311.9	5/ 419.1		
Filler, Types 41-45					
Average 1931-35	55.8	171.3	227.1	53.0	7.1
1935	45.8	166.9	213.7	49.1	9.7
1936	4/ 47.3	164.6	4/ 211.9	5/ 48.2	4/ 11.0
1937	6/ 46.9	5/ 163.7	5/ 210.6		
Binder, Types 51-55					
Average 1931-35	52.5	204.2	256.7	59.1	9.8
1935	33.3	183.4	216.7	59.9	12.8
1936	4/ 41.2	156.8	4/ 198.0	5/ 60.7	4/ 14.7
1937	6/ 49.7	5/ 137.3	5/ 187.0		
Wrapper, Types 61-62					
Average 1931-35	7.2	15.3	22.5	8.4	65.1
1935	7.8	12.5	20.3	9.4	79.7
1936	4/ 9.6	10.9	4/ 20.5	5/ 9.6	4/ 83.1
1937	6/ 10.6	5/ 10.9	5/ 21.5		

1/ Farm-sales-weight equivalent. 2/ July 1 for Types 45, 61, and 62; stocks held on farms not included
3/ Year beginning July for Types 45, 61, and 62.
4/ Preliminary. 5/ Estimated; preliminary for Types 45, 61 and 62.
6/ Indicated September 1.

Tax-paid withdrawals of tobacco products in the United States 1/, July-December 1935 and 1936, January-August 1936 and 1937

Product	July - December			January - August		
	1935	1936	Change	1936	1937	Change
	Thousands	Thousands	Percent	Thousands	Thousands	Percent
Small cigarettes	69,242,866	80,582,862	+16.4	100,821,267	108,486,474	+ 7.6
Large cigarettes	1,570	1,521	- 3.1	1,757	1,936	+10.2
Large cigars	2,722,008	2,943,189	+ 8.1	3,419,985	3,613,451	+ 5.7
Small cigars	87,798	89,465	+ 1.9	122,744	138,601	+12.9
Snuff 2/	17,356	18,772	+ 8.2	25,266	24,051	- 4.8
Manufactured tobacco 2/	152,606	154,365	+ 1.2	207,368	203,431	- 1.9

Compiled from reports of the Bureau of Internal Revenue.

1/ Including Puerto Rico and the Philippine Islands.
2/ Thousand pounds.

Production of manufactured tobacco in the United States, July-December 1935 and 1936, January-June 1936 and 1937

Product	July - December			January - June		
	1935	1936	Change	1936	1937	Change
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	1,000 pounds	Percent
Chewing tobacco	57,913	59,013	+ 1.9	56,924	58,452	+ 2.7
Plug	30,533	30,088	- 1.5	29,077	29,868	+ 2.7
Twist	2,859	3,294	+ 15.2	3,099	3,402	+ 9.8
Fine-cut	2,584	2,943	+ 13.9	2,555	2,731	+ 6.9
Scrap	21,937	22,688	+ 3.4	22,193	22,451	+ 1.2
Smoking tobacco	97,025	96,968	- .1	97,187	94,445	- 2.8

Compiled from reports of the Bureau of Internal Revenue.

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Exports of tobacco from the United States, export weight,
October - July 1935-36 and 1936-37

Type or class	1935-36	1936-37	Change
	1,000 pounds	1,000 pounds	Percent
Flue-cured, Types 11-14 1/	329,305	299,708	- 9.0
Total fire-cured, Types 21-24	56,910	53,550	- 5.9
Va. fire-cured, Type 21	8,293	8,114	- 2.2
Ky. and Tenn. fire-cured, Types 22-24	48,617	45,436	- 6.5
Burley, Type 31	7,516	10,248	+36.3
Maryland, Type 32 2/	4,250	3,729	-12.3
Total dark air-cured, Types 35-36	3,498	2,484	-29.0
One Sucker, Type 35	677	353	-47.9
Green River, Type 36	2,821	2,131	-24.5
Cigar tobacco, Types 41-62	657	637	- 3.0
Perique, Type 72	124	131	+ 5.6
Blackfat, water baler, and dark African	8,434	8,101	- 3.9
Stems, trimmings, and scraps	15,155	18,707	+23.4
Total exports 3/	363,343	333,418	- 7.4

Compiled from reports of the Bureau of Foreign and Domestic Commerce.

1/ August - July.
2/ January - July; includes exports of Eastern Ohio, Type 71.
3/ October - July for all types.